

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

August 14, 2006

Chief Investment Officer's

Consolidated Investment Activity Report

(June 2006 Reporting Period)

Market Environment – June 30, 2006

General Market Commentary

June saw a small rebound in the equity markets following May's dramatic declines, turning what was to be a disastrous quarter into just a poor one. Inflation indicators and robust growth reports forced the Federal Reserve to raise rates for the seventeenth consecutive time in June.

Domestic and International Equities

The equity markets produced minimal results during June as investors attempted to decipher future movements by the fed. Domestically, value stocks outperformed their growth counterparts while small-cap stocks were able to outperform large-cap stocks. Small-cap growth equities (Russell 2000 Growth) returned 0.1%, and large-cap growth equities (Russell 1000 Growth) declined -0.4%. Small value (Russell 2000 Value) rose 1.2%, and large value (Russell 1000 Value) rose by 0.6%. International developed markets (MSCI EAFE) produced a flat 0.0% during June.

Domestic and International Fixed Income

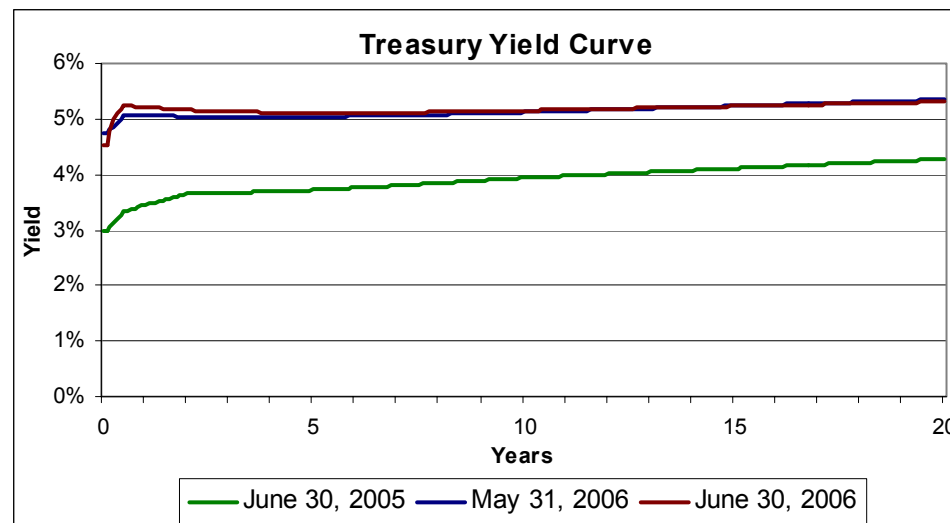
The yield curve remained flat during the month with little movement across yields. The Lehman Brothers Aggregate Bond Index returned 0.2% during the month. 90-day Treasury Bills rose 0.4%. US TIPS posted a 0.3% gain (LB US TIPS). International fixed income markets fell by -1.4% as measured by the Citigroup World Government Bond Index ex US.

Real Estate

Real estate, as measured by the NAREIT Equity Index, rose by 5.2% in June. The NCREIF Index of Real Estate Properties returned 3.6% in the quarter ended March 2006.

Private Equity, Absolute Return Strategies

The Venture Economics All Private Equity Index returned 22.8% for the 12 months ended March 2006 and 11.8% for the 10 years ended March 2006. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned -0.1% in June and 12.9% for the 12 months ended June 2006.



MARKET INDICATORS	6/30/2005	Direction	5/31/2006	Direction	6/30/2006
1m LIBOR (fixed in \$)	3.34%	▲	5.11%	▲	5.35%
Federal Funds	3.25%	▲	5.00%	▲	5.25%
10Y Treasury Note Yield	3.94%	▲	5.12%	▲	5.15%
30Y Treasury Bond Yield	4.22%	▲	5.21%	▼	5.19%
DJ-Wilshire 5000 Comp	11,856.67	▲	12,802.45	▲	12,808.89
S&P 500	1,191.33	▲	1,270.09	▲	1,270.20
NASDAQ Composite	2,056.96	▲	2,178.88	▼	2,172.09
FTSE 100 Index	5,113.20	▲	5,723.80	▲	5,833.40
Nikkei 225 Index	11,584.01	▲	15,467.33	▲	15,505.18
Yen/\$ (Dollar Strength)	110.910	▲	112.260	▲	114.510
Euro/\$ (Dollar Strength)	0.827	▼	0.779	▲	0.783
GBP/\$ (Dollar Strength)	0.558	▼	0.534	▲	0.541
Crude Oil per Barrel	\$ 56.50	▲	\$ 71.29	▲	\$ 73.93
Gold (\$/oz Daily Spot)	\$ 437.10	▲	\$ 653.00	▼	\$ 613.50
GS Commodities Index	\$ 380.05	▲	\$ 474.55	▲	\$ 484.68

CalPERS Asset Allocation – June 30, 2006

Summary

- Total Fund Market Value was \$208.2 Billion
- Total Fund Book Value was \$164.5 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (\$ Billion)
Total Cash Equivalents	\$0.6	\$0.6	\$0.0
Total AIM Direct/Partnership	\$13.1	\$11.3	\$-1.8
Total Fixed Income	\$51.0	\$49.9	\$-1.1
Domestic Equities ¹	\$50.1	\$83.2	\$33.1
International Equities	\$37.1	\$48.2	\$11.2
Total Equities	\$87.1	\$131.4	\$44.3
Total Real Estate	\$12.7	\$15.0	\$2.3
Total Equities and Real Estate	\$99.8	\$146.4	\$46.6
Total Fund	\$164.5	\$208.2	\$43.7

¹ Included is MDP Investment - LM Capital Investment: Total Book Value=**\$186.5M**, Total Market Value=**\$179.5M**.

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 6/30/2006

Company Name	Equity Exposure				Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure (1)	TOTAL Market Value	% of Total Fund(3)
	Internally Managed Active	Internally Managed Passive	Externally Managed Active	Externally Managed Passive		Internal	External	Sec. Lending(2)				
GENERAL ELECTRIC	303,338,494	1,284,632,480	189,739,678		1,777,710,652	53,848,326	46,744,177	703,597,359	804,189,862		2,581,900,514	0.90%
EXXON MOBIL CORP	299,890,947	1,387,589,760	214,102,788		1,901,583,495				0		1,901,583,495	0.91%
BANK OF AMERICA CORP	97,436,988	822,960,938	134,269,996		1,054,667,922	41,219,971	4,345,926	446,704,000	492,269,897		1,546,937,819	0.53%
CITIGROUP INC	164,989,773	903,694,392	174,205,880		1,242,890,045	80,427,208	76,528,247		156,955,455		1,399,845,500	0.67%
BNP PARIBAS SECURITIES					0			1,300,000,000	1,300,000,000		1,300,000,000	0.00%
MICROSOFT CORP	188,961,299	909,513,170	159,512,499		1,257,986,968				0		1,257,986,968	0.60%
BERKSHIRE HATHAWAY	124,634,100	520,802,005	4,216,314		649,652,419	220,736,578		200,238,500	420,975,078		1,070,627,497	0.42%
WAL MART STORES INC	120,669,029	733,152,217	82,471,377		936,292,623	123,939,892	2,767,586		126,707,478		1,063,000,101	0.51%
AMERICAN INTL GROUP INC	84,858,511	567,783,465	65,710,368		718,352,344	8,904,378	50,664,080	200,162,000	259,730,458		978,082,802	0.37%
JPMORGAN CHASE & CO	170,824,038	541,156,760	119,713,524		831,694,322	32,649,207	4,178,283	100,009,050	136,836,540		968,530,862	0.42%
JOHNSON + JOHNSON	163,133,458	656,046,104	121,470,303		940,649,865	13,373,987			13,373,987		954,023,852	0.46%
HSBC HOLDINGS		216,671,589	152,063,007	209,117,094	577,851,690	130,381,204	31,630,104	202,440,576	364,451,884		942,303,574	0.35%
PFIZER INC	84,839,426	639,008,302	134,307,685		858,155,413	15,877,131			15,877,131		874,032,544	0.42%
PROCTER + GAMBLE CO	81,657,274	694,275,643	73,416,798		849,349,715	4,692,723			4,692,723		854,042,438	0.41%
CONOCOPHILLIPS	56,767,525	407,423,666	102,745,929		566,937,120	213,870,981			213,870,981		780,808,101	0.37%
CHEVRONTXACO CORP	112,399,721	512,503,892	79,742,321		704,645,934	51,471,922			51,471,922		756,117,856	0.36%
VERIZON COMMUNICATIONS	61,176,049	362,203,962	56,795,825		480,175,836	245,696,172	3,278,501		248,974,673		729,150,509	0.35%
ROYAL DUTCH SHELL		243,508,164	233,350,174	234,380,900	711,239,238				0		711,239,238	0.34%
PRUDENTIAL FINL INC	237,861,456	146,604,360	261,503,621		645,969,437	14,309,549		49,978,042	64,287,591		710,257,028	0.32%
ABN AMRO					0			700,000,000	700,000,000		700,000,000	0.00%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

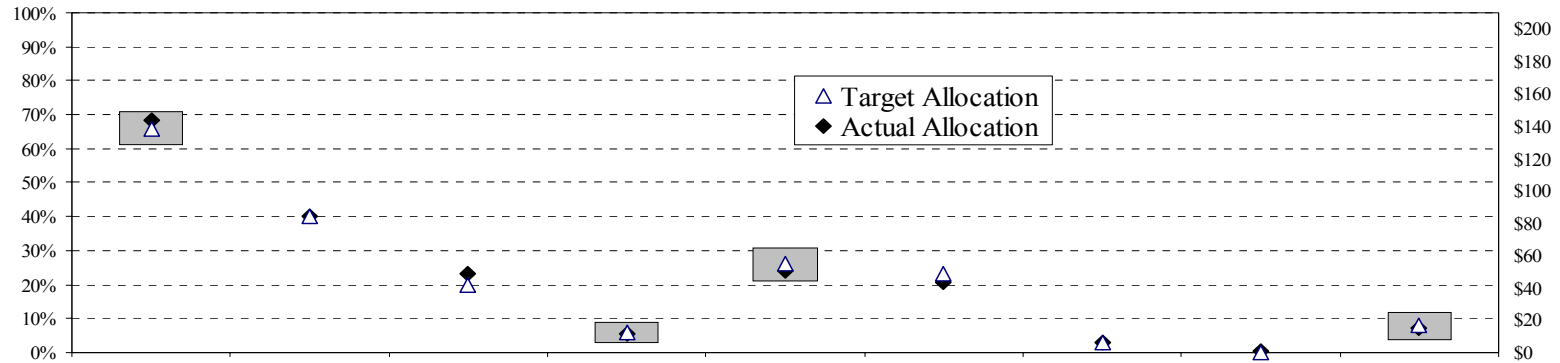
(2) Does not include Repos

(3) Excludes securities lending exposure

CalPERS

Asset Allocation as of June 30, 2006

Total Fund Market Value: **\$208,228,349,722**



	Total Equity	Domestic Equity	International Equity	Private Equity	Total Fixed	Domestic Fixed	International Fixed	Cash ¹	Real Estate	Total Fund
Target Range	61-71%	N/A	N/A	3-9%	21-31%	N/A	N/A	N/A	4-12%	N/A
Strategic %	66.0%	40.0% ²	20.0% ³	6.0%	26.0%	23.0%	3.0%	0.0%	8.0%	N/A
Actual %	68.5%	39.9%	23.2%	5.4%	24.0%	20.8%	3.2%	0.3%	7.2%	N/A
Variance %	2.5%	(0.1%)	3.2%	(0.6%)	(2.0%)	(2.2%)	0.2%	0.3%	(0.8%)	N/A
Strategic \$ ⁴	\$137.4	\$83.3	\$41.6	\$12.5	\$54.1	\$47.9	\$6.2	\$0.0	\$16.7	N/A
Actual \$ ^{4 5}	\$142.7	\$83.2	\$48.2	\$11.3	\$49.9	\$43.3	\$6.6	\$6	\$15.0	N/A
Variance \$ ⁴	\$5.3	(\$0.1)	\$6.6	(\$1.2)	(\$4.2)	(\$4.6)	\$0.3	\$0.6	(\$1.6)	N/A
% Passive	63.4%	75.7%	56.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	43.7%
% Active	36.6%	24.3%	43.1%	100.0%	100.0%	100.0%	100.0%	100.0%	96.9%	56.3%
% Internal ⁶	54.1%	75.7%	29.4%	0.0%	84.2%	96.9%	0.0%	41.4%	3.1%	57.6%
% External ⁶	45.9%	24.3%	70.6%	100.0%	15.8%	3.1%	100.0%	58.6%	96.9%	42.4%

MDP Venture accounts included in MDP's primary asset class. MDP Fixed and Enhanced Index Equity roll to External Domestic Equity.

¹ Cash includes SMIF at STO.

² Wilshire's reports reflect 38.8%, to account for 1.2% allocation to RMARS Program.

³ Wilshire's reports reflect 19.4%, to account for 0.6% allocation to RMARS Program.

⁴ (\$ Billion)

⁵ Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

⁶ For cash percentage only, average over previous 6 months.

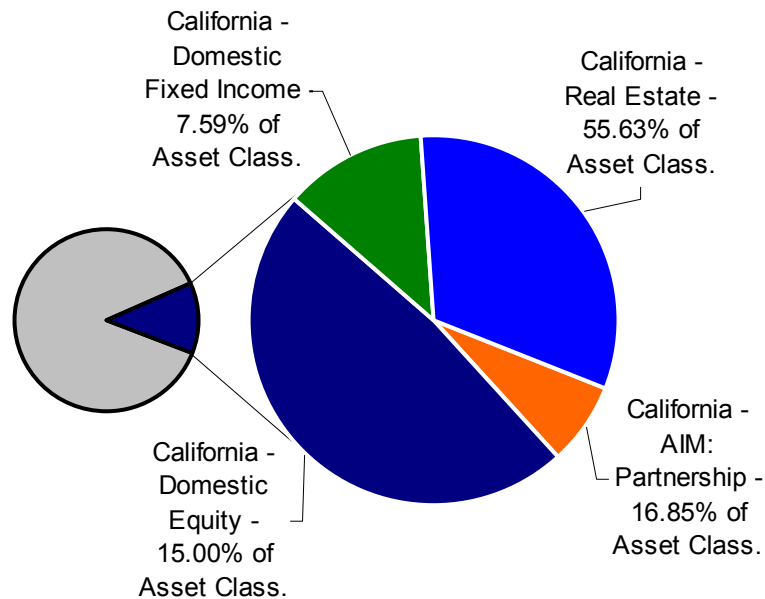
Private Equity Asset Allocation as of 6/30/2006			
Funded	\$(in Billions)	% Allocation	Target Range
Current Market Value	\$11.28	5.4%	
Unfunded Commitment	\$13.80	6.6%	
Current Market Value plus Unfunded Commitment	\$25.08	12.0%	3-9%

CalPERS Investments in the State of California – June 30, 2006

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

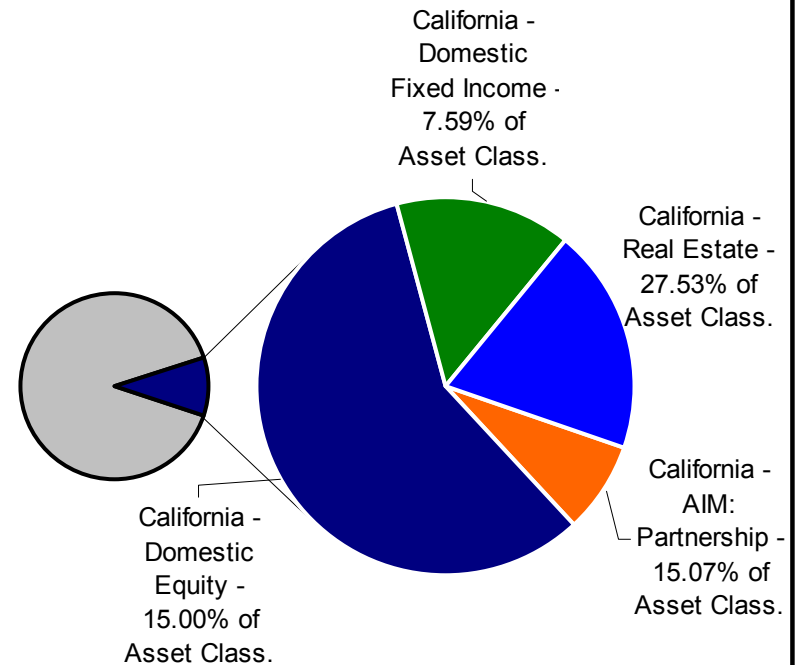
California Commitments (includes unfunded investments)

Current California Commitments at 6/30/2006 Total Fund %: 12.50%



California Investments

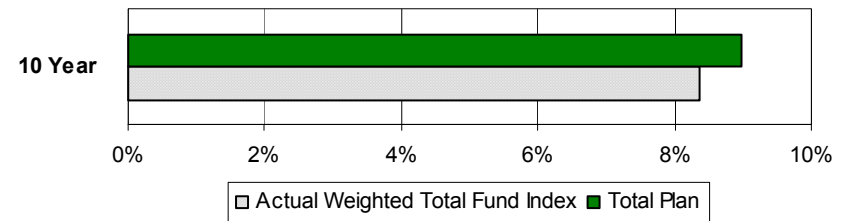
Current California Investments at 6/30/2006 Total Fund %: 10.37%



Performance Summary – June 30, 2006

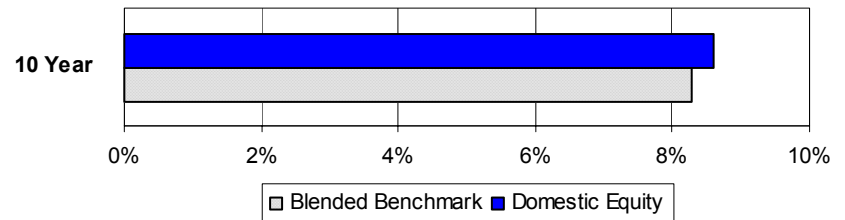
Total Plan:

Net Total Fund returns have exceeded or equaled the Actual Weighted Total Fund Index in all periods shown, except for during the month of June and the past three months. Ten-year net returns were 8.98% versus 8.35% for the actual weighted index.



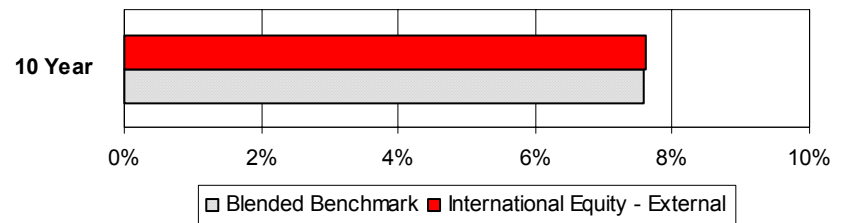
Domestic Equity:

Net Domestic Equity returns have exceeded the Blended Index in all long-term periods shown but underperformed in the short-term time periods. Ten-year net returns were 8.59% versus 8.27% for the blended benchmark.



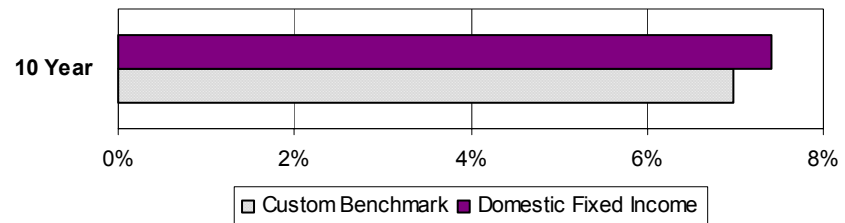
International Equity:

Net International Equity (External) returns including the currency overlay have underperformed during all periods except for the month of June and the ten-year period. Ten-year net returns were 7.62% (7.54% without currency overlay) versus 7.58% for the blended benchmark. The Internal portfolio has returned 25.23% since its 5/1/2005 inception (exceeding its benchmark of 24.72%).



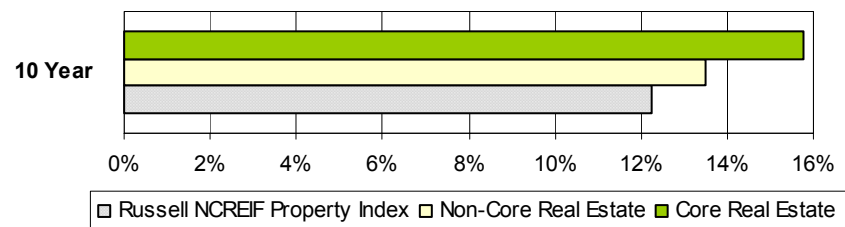
Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in all periods shown. Ten-year net returns were 7.42% versus 6.98% for the benchmark.



Real Estate:

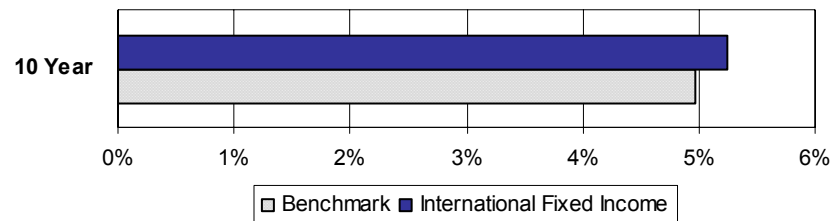
Net returns to the Core Real Estate Portfolio have exceeded the NCREIF Property benchmark in all periods shown. Non-core portfolio returns have exceeded the benchmark in all relevant periods shown. Ten-year net returns were 15.78% for the Core Real Estate portfolio and 13.51% for Non-Core Real Estate versus 12.23% for the lagged benchmark.



Performance Summary – June 30, 2006

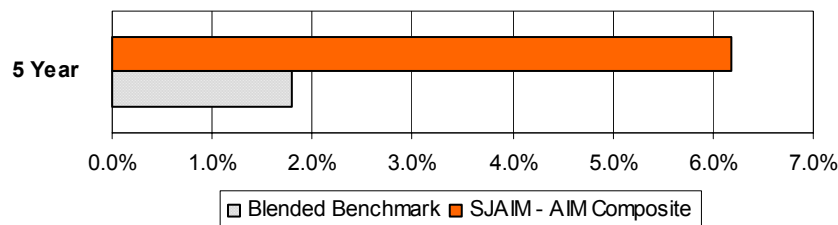
International Fixed Income:

Net International Fixed Income returns have underperformed during the short-term periods, but have exceeded the benchmark in periods greater than one-year. Ten-year net returns were 5.24% versus 4.96% for the benchmark.



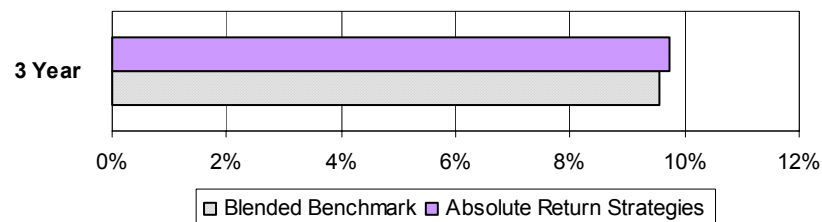
Alternative Investments:

Net returns for the Alternative Investments portfolio have exceeded the blended benchmark in all time periods except during June. Five-year net returns are shown for the AIM Composite, which includes distributed stock (6.19% vs. 1.80%). Ten-year net returns for the AIM Partnership & Direct Composite were 12.98%, exceeding the ten-year custom blended benchmark return of 7.41%.



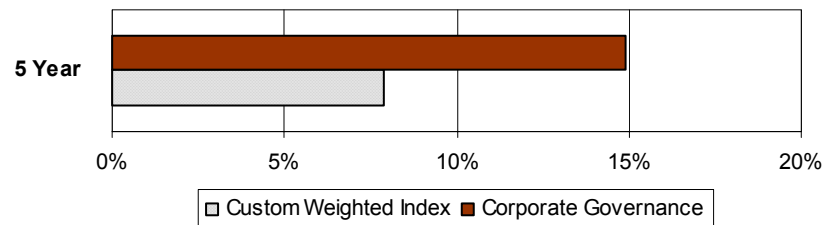
Absolute Return Strategies:

Net Absolute Return Strategies returns have outperformed in all time periods except during June and the past three months. Three-year net returns were 9.75% versus 9.56% for the blended benchmark.



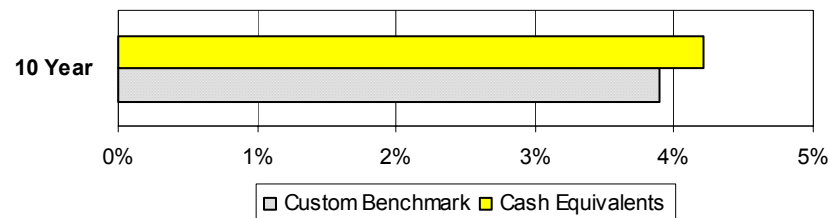
Corporate Governance:

Net returns to Corporate Governance Investments have exceeded the Custom Benchmark in the quarter, calendar-year, three-year and five-year periods, but underperformed during June, the fiscal-year and one-year time periods. Five-year net returns were 14.91% versus 7.86% for the weighted index.



Cash Equivalents:

Net returns for the Cash Equivalents portfolio have exceeded the benchmark in all long-term periods shown, but underperformed in the short-term time periods. Ten-year net returns were 4.21% versus 3.90% for the custom benchmark.



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
GROSS RATES OF RETURN
Period Ending June 30, 2006
Investment Committee Meeting August 2006

	MKT VAL (000'S)	One Month June 06	QTR Apr - June 06	FYTD 05-06	CYTD 2006	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN									
SJ1CA1 TOTAL FUND	208,228,350	0.30	-0.48	12.26	4.32	12.26	13.89	7.60	9.15
CALPERS POLICY INDEX		0.19	-0.15	10.96	4.05	10.96	12.53	6.72	8.28
ACTUAL WEIGHTED TOTAL FUND INDEX		0.28	-0.28	10.98	4.01	10.98	12.70	6.99	8.35
GLOBAL EQUITY									
DOMESTIC									
SH8CA1 TOT DOM EQ+IND HG+ENV EX VENT, HDG, CG	78,202,784	-0.03	-2.08	9.62	3.03	9.62	12.46	3.72	8.61
WILSHIRE 2500 EX TOBACCO (BLENDED)		0.01	-1.97	9.50	3.15	9.50	12.40	3.48	8.27
INTERNATIONAL - EXTERNAL									
SHBCA1 INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX VT	31,199,842	-0.31	-0.48	27.87	9.53	27.87	25.26	11.16	7.59
SHBKA1 INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	30,990,663	-0.06	-1.84	26.76	7.74	26.76	24.37	9.84	7.67
CALPERS FTSE A-W X US/SSGA BLEND		-0.10	0.06	27.66	9.71	27.66	25.27	11.24	7.58
INTERNATIONAL - INTERNAL									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	13,700,496	0.02	0.98	27.32	10.68	27.32			
CALPERS FTSE DEV WORLD EX US & TOBACCO		0.00	0.85	26.98	10.50	26.98			
SWCG INTERNATIONAL EQUITY TRANSITION	506,609	-0.15	6.60		19.39				
HEDGE FUND INVESTMENTS									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	2,819,742	-0.32	-0.73	11.57	4.99	11.57	9.98		
TOTAL ARS PROGRAM BLENDED INDEX		0.66	2.06	8.04	4.10	8.04	9.56		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	4,250,890	0.07	-0.89	17.05	4.37	17.05	29.51	15.43	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		0.48	-3.08	20.27	2.88	20.27	18.58	7.86	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,496	0.18	0.12	-0.38	-0.36	-0.38	2.75		
CITIGROUP BROAD INVESTMENT GRADE		0.22	-0.11	-0.81	-0.77	-0.81	2.13	5.02	6.24
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	43,329,401	0.33	-0.42	-1.23	-1.63	-1.23	3.59	6.53	7.43
CALPERS CUSTOM LEH LPF		0.27	-0.68	-3.07	-2.44	-3.07	2.30	6.02	6.98
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	6,565,950	-1.63	3.29	-0.15	3.51	-0.15	5.36	9.92	5.32
CALPERS WORLD GOVT EX US		-1.47	3.66	0.18	3.80	0.18	5.14	9.66	4.96
CASH EQUIVALENTS									
SJVK1A1 TOTAL CASH	607,732	0.40	1.18	4.41	2.30	4.41	2.58	2.52	4.21
CALPERS CUSTOM STIF NET OF FEES		0.41	1.21	4.22	2.31	4.22	2.40	2.25	3.90
ALTERNATIVE INVESTMENTS									
SJAIM AIM COMPOSITE	11,278,881	-0.20	5.13	19.15	10.58	19.15	18.13	6.20	
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	11,187,797	-0.20	5.18	19.20	10.54	19.20	18.17	6.33	12.98
PERS WILSHIRE 2500/CYFU BLEND		1.29	3.91	18.62	7.97	18.62	14.84	1.80	7.41
SW2V AIM DISTRIBUTION STOCK	91,083	-0.48	0.67	5.22	13.62	5.22	16.96	3.85	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	8,574,358	6.57	6.42	38.44	15.83	38.44	28.93	21.00	17.60
SW7KA1 TOTAL NON-CORE REAL ESTATE	6,444,416	5.12	4.10	36.45	19.49	36.45	32.35	20.70	16.75
NCREIF PROPERTY 1 QTR LAG INDEX		3.62	3.62	20.19	9.25	20.19	15.07	11.67	12.23

(1) SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

Excludes MDP venture accounts in composites SW9C, SWDC.

This report prepared by State Street Bank

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
NET RATES OF RETURN
Period Ending June 30, 2006
Investment Committee Meeting August 2006

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INTERNATIONAL - INTERNAL									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	13,700,496	0.02	0.98	27.32	10.68	27.32			
CALPERS FTSE DEV WORLD EX US & TOBACCO		0.00	0.85	26.98	10.50	26.98			
SWCG INTERNATIONAL EQUITY TRANSITION	506,609	-0.15	6.60		19.39				
HEDGE FUND INVESTMENTS									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	2,819,742	-0.32	-0.74	11.36	4.90	11.36	9.75		
TOTAL ARS PROGRAM BLENDED INDEX		0.66	2.06	8.04	4.10	8.04	9.56		
CORPORATE GOVERNANCE									
SWMKA1 CORPORATE GOVERNANCE	4,250,890	0.07	-1.04	16.79	4.13	16.79	28.97	14.91	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		0.48	-3.08	20.27	2.88	20.27	18.58	7.86	
MDP DOM FIXED INCOME-INVESTMENTS									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,496	0.14	0.08	-0.53	-0.43	-0.53	2.56		
CITIGROUP BROAD INVESTMENT GRADE		0.22	-0.11	-0.81	-0.77	-0.81	2.13	5.02	6.24
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 TOTAL DOM FIXED	43,329,401	0.33	-0.43	-1.24	-1.64	-1.24	3.58	6.52	7.42
CALPERS CUSTOM LEH LPF		0.27	-0.68	-3.07	-2.44	-3.07	2.30	6.02	6.98
INTERNATIONAL									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	6,565,950	-1.63	3.27	-0.22	3.48	-0.22	5.28	9.84	5.24
CALPERS WORLD GOVT EX US		-1.47	3.66	0.18	3.80	0.18	5.14	9.66	4.96
CASH EQUIVALENTS									
SJVKA1 TOTAL CASH	607,732	0.40	1.18	4.41	2.30	4.41	2.58	2.52	4.21
CALPERS CUSTOM STIF NET OF FEES		0.41	1.21	4.22	2.31	4.22	2.40	2.25	3.90
ALTERNATIVE INVESTMENTS									
SJAIM AIM COMPOSITE	11,278,881	-0.20	5.13	19.13	10.57	19.13	18.11	6.19	
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	11,187,797	-0.20	5.18	19.20	10.54	19.20	18.17	6.33	12.98
PERS WILSHIRE 2500/CYFU BLEND		1.29	3.91	18.62	7.97	18.62	14.84	1.80	7.41
SW2V AIM DISTRIBUTION STOCK	91,083	-0.48	0.22	3.54	12.80	3.54	15.77	2.63	
REAL ESTATE									
SW3CA1 CORE REAL ESTATE	8,574,358	6.37	6.22	33.79	15.31	33.79	24.86	18.18	15.78
SW7KA1 TOTAL NON-CORE REAL ESTATE	6,444,416	3.96	2.96	28.34	15.17	28.34	25.20	15.80	13.51
NCREIF PROPERTY 1 QTR LAG INDEX		3.62	3.62	20.19	9.25	20.19	15.07	11.67	12.23

(1) SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank. Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

Investment Operations Report

Closed Session Transactions

- There were 4 (four) closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

Activity Reports – June 30, 2006

- Staff prepares activity reports for the AIM, Absolute Return Strategies and Opportunistic Real Estate Programs. Detailed reports and investment summaries for the AIM and Risk Managed Absolute Return Strategies are included in the supplemental reporting document. Opportunistic Real Estate Investments will be reported below as they occur.

AIM Activity Report

Activity	Month	2004	2005	2006 YTD	Since Inception
Investment Proposals Received	41	298	381	316	5914
Declined/Referred/Failed to Materialize	8	206	223	429	4663
Deals in Screening	94	298	397	318	2928
Due Diligence Reviews	28	25	65	59	563

Risk Managed Absolute Return Strategies Program Activity Report

Activity	2004	2005	2006 YTD	Since Inception
Information Received	59	59	32	589
Declined	12	7	1	243
Deals in Screening	45	58	31	334
Due Diligence Reviews	5	22	30	73
Approved by ARS Board	5	22	30	71
Funded Investments (\$ Millions)	\$149	\$783	\$837	\$2,348

Opportunistic Real Estate Investments Activity Report

Activity	Month
Hines China Fund PRECO III The Towers on Capitol Mall Next Block Medical Fund I	June 2006

Investment Transactions

According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and Full Reports are available in the supplemental reporting document.

AIM Program Quarterly Review:

Portfolio Summary

- As of March 31, 2006, the AIM Program had \$29.8 billion of active commitments. Commitments to exited investments totaled \$2.0 billion, bringing since inception commitments to \$31.9 billion.
- Since inception, the AIM Program has made contributions of \$19.6 billion and received distributions of \$15.6 billion. Of the \$15.6 billion in distributions, \$8.5 billion represents realized gains, income and dividends. The Program has become self-funding. During the first quarter of 2006, distributions exceeded contributions by \$0.1 billion.
- Due to the young relative age of the AIM portfolio, a large amount of the committed capital has not been called. At March 31, 2006, 40% of the active capital commitments, or \$11.9 billion, remained unfunded.

Performance

- Fully realized investments have provided a since inception return of 18.5%. This represents a 1.6x return of contributed capital.
- As of March 31, 2006, the weighted average age of all of the current investments in the AIM portfolio was 4.4 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of March 31, 2006, the AIM young fund net internal rate of return ("IRR") was 21.2% which exceeded the preliminary estimate of the Custom Young Fund Universe median return of 2.3% by 1,890 basis points. The AIM Program is displaying solid returns for a young portfolio.
- Since inception to March 31, 2006, the AIM Program generated a net IRR of 12.5%. At March 31, 2006, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index was 8.9%. The public markets have been recovering over the past few years, but there is typically a lag in the valuations in the private market relative to those in the public markets.

Portfolio Activity

- 14 new commitments were authorized during the first quarter of 2006 for a total of \$2.2 billion.
- During the first quarter of 2006 the AIM Program received 56 investment opportunities. During the same period, GSA reviewed 128 investment opportunities on behalf of CEV I, II and III. Both the AIM Program and GSA may have reviewed some of the same opportunities.
- During 2006, the AIM Program contributed \$758.0 million to and received distributions of \$853.8 million from the underlying portfolio. Of the \$853.8 million in distributions, \$517.0 million represents income and realized gains.

Investment Transactions

Proxy Voting Quarterly Report Results:

The following table provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

Period	Approximate Number of Meetings Voted	Approximate Number of Individual Items Voted	Number of Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
04/01/06 to 06/30/06	3067	20444	558	84%
01/01/06 to 03/31/06	519	2699	55	63%
10/01/05 to 12/31/05	531	2614	31	87%
07/01/05 to 09/30/05	397	2100	16	68%
04/01/05 to 06/30/05	3274	20054	575	74%

**Source: ProxyEdge

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period April 1, 2006 to June 30, 2006, as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

Attachment 1 contains the internal proxy voting decisions made in CalPERS' domestic portfolios and CalPERS' international portfolios, including staff's comments.

Attachment 2 contains the proxy votes for the Small Cap Index Fund (SW9P) that were cast on behalf of CalPERS between April 1, 2006 to June 30, 2006. To support resource constraints, CalPERS hired Glass Lewis & Co. to vote the approximately 2500 proxies (per year) within the Small Cap Fund.

Investment Transactions

Proxy Voting Quarterly Report Results (cont.)

PROXY VOTING HIGHLIGHTS FOR THE DOMESTIC AND INTERNATIONAL PORTFOLIOS

A. Domestic Proxy Voting

A sampling of domestic proxy votes cast **against** management from April 1, 2006 to June 30, 2006 includes

1) Egregious executive compensation plans:

Company	Cost Analysis	Additional Factors ⁽⁵⁾
WM. Wrigley Jr. Co. 4/4/06	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans. ⁽⁴⁾	The plan allows for reload stock options.
Usana Health Sciences, Inc. 4/19/06	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans. ⁽⁴⁾	Vesting provisions at the discretion of the plan administrator.
Progress Software Inc. 4/20/06	The cost of the plan was within acceptable limits.	The plan allows for reload stock options.
Baldor Electric Co. 4/24/06	Shareholder Value Transfer ⁽¹⁾ : 11.24%, Allowable Cap ⁽²⁾ : 10.55%, and Voting Power Dilution ⁽³⁾ : 14.22%	The plan allows for the repricing of stock option without shareowner approval.
Broadcom Corp. 4/27/06	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans. ⁽⁴⁾	The plan has an evergreen provision and allows for the repricing of stock options.
NRG Energy Inc. 4/28/06	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans. ⁽⁴⁾	The plan allows for the repricing of stock options without shareowner approval.
West Corp. 5/11/06	The cost of the plan was within acceptable limits.	Vesting provisions at the discretion of the plan administrator.

1) Shareholder Value Transfer - Dollar cost to the company of all stock option plans as participants exercise awards expressed as a percent of market value. Source: Institutional Shareholder Services.

2) Allowable Cap - Based on benchmark shareholder value transfer levels for the company's industry, expressed on a percent of market value. Source: Institutional Shareholder Services.

3) Voting Power Dilution - Share allocation from all stock option plans as a percent of share allocation plus shares outstanding. Source: Institutional Shareholder Services.

4) Glass Lewis & Co. evaluates equity-based plans using twenty different analyses, comparing the program with both absolute limits and a carefully chosen peer group. The model seeks to determine if the proposed plan is either more than one standard deviation away from the average plan for the peer group, on a range of criteria, or exceeds one of the absolute limits.

5) At the June 16, 2003 meeting, the CalPERS Board of Directors approved additional policy issues to be applied to voting in relation to compensation plans.

Investment Transactions

Proxy Voting Quarterly Report Results (cont.)

2) Shareowner proposals:

CalPERS voted **in favor** of the following shareowner proposals:

Company	Meeting	Proposal	Reason
Brocade Com. Inc.	4/17/06	Eliminate Supermajority Voting Requirements	CalPERS is a firm supporter of this concept.
Suntrust Banks	4/18/06	Declassify the Board of Directors	CalPERS believes annual elections foster accountability.
BellSouth Corp.	4/24/06	Disclose Political Contributions	CalPERS believes this proposal will not pose long term harm to the company.
Dominion Resources Inc.	04/28/06	Majority Vote for Director Election	CalPERS is a strong supporter of greater director accountability.
Countrywide Financial Corp.	06/14/06	Compensation Committee Report	CalPERS is a firm supporter of increased disclosure in executive compensation and believes implementation of this proposal will be a benefit so shareowners.

Investment Transactions

Proxy Voting Quarterly Report Results (cont.)

CalPERS voted **against** the following shareowner proposals:

Company	Meeting	Proposal	Reason
Pfizer Inc.	4/27/06	Director Term Limits	CalPERS believes term limits may cause the obligatory exit of good directors. The company is better served by periodic re-nominations and re-elections.
Bristol Myers Squibb Co.	5/2/06	Identify Executive Officers receiving in excess of \$500,000 annually	CalPERS believes this proposal may put the company at a competitive disadvantage. This proposal should be considered by the SEC which could make it applicable to the whole market.
Occidental Petroleum Corp.	5/6/06	Limit Executive Compensation	CalPERS believes this would unfairly restrict the company's ability to attract and retain competent executives.
Yum Brands Inc.	5/18/06	Label Genetically Modified Organisms	CalPERS believes the proposal is unmerited because the company is already in compliance with existing food labeling regulations.
Federated Department Stores Inc.	5/19/06	Limit Director Board Membership	CalPERS believes the board is best suited to evaluate whether its directors are allocating sufficient time to their job. Thus, we find this proposal too restrictive.

3) Proxy Contests:

There were no significant proxy contests during the quarter.

Investment Transactions

Proxy Voting Quarterly Report Results (cont.)

4) Website votes:

The following is a sample of Website votes cast during the quarter:

Company/Date	Issue	Vote	Reason
Suntrust Bank 4/18/06	Elect Directors	Withhold vote from nominee E. Isdell	Nominee had a poor attendance record.
AT&T Inc. 4/28/06	Elect Directors	Withhold vote from nominee A. Busch, M. Metz, and J. Roche.	Nominees are affiliates that sit on the Nominating Committee.
Nucor Corp. 5/11/06	Increase Authorized Shares	Against	CalPERS believes the company currently has sufficient shares to continue operations.
Level 3 Communications 5/15/06	Amend the Company Stock Plan	Against	CalPERS believes the plan is too costly in comparison to its peers.
General Motors Corp. 6/6/06	Clawback Proposal	For	CalPERS believes companies should develop and disclose a policy for recapturing bonus and incentive payments that were made to executives on the basis of having met or exceeded performance targets during a period of fraudulent activity or a material negative restatement of financial results for which executives are found personally responsible.

Investment Transactions

Proxy Voting Quarterly Report Results (cont.)

5) International Proxy Voting:

A sampling of International proxy votes cast **against** management during the quarter:

Company	Country	Date	Issue	Reason
Parkway Holdings LTD	Singapore	4/12/06	Approve issuance of shares and stock options	Due to a high level of dilution.
UBS AG	South Africa	4/19/06	Approve stock option grant	The plan lacks performance metrics.
Antofagasta PLC.	United Kingdom	6/14/06	Director Election	Director nominee R. Jara is an affiliate sitting on the Nominating Committee.

6) Mergers:

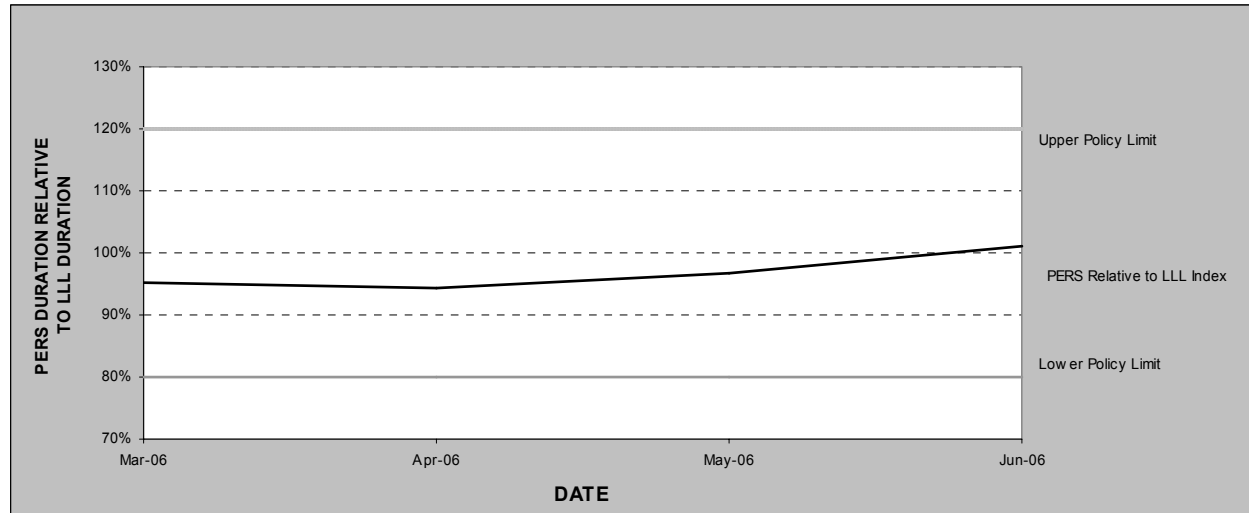
The following is a sample of Merger votes cast during the quarter:

Target	Acquirer	Date	Vote	Rationale
Maxtor Corp.	Seagate Technology	5/17/06	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Jefferson Pilot Corp	SuperValu Inc.	5/30/06	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.

Investment Transactions

Internally Managed Domestic Fixed Income Report:

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	9/30/2005 PERS	12/31/2005 PERS	3/31/2006 PERS	6/30/2006 PERS
Government	0-50	40	34	33	31	32
Mortgages	10-60	30	34	35	35	34
Sovereigns	0-15	3	2	2	2	2
Investment Grade						
Corporates	10-60	24	25	25	27	27
Opportunistic ¹	0-19	3	5	6	5	5

¹ High Yield

III. Violations to Policy: None

Investment Transactions

Internally Managed Short-Term Fund Report:

I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund were 2 days.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	46.91%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	53.08
Asset-Backed Securities	25	0.0
Total Short-Term Fund		100.0%
<u>Credit Quality</u>		
Securities rated A1/P1 or higher	100%	95.84%
Total Split Rated and A2/P2	30	4.16
Total Short-Term Fund		100.0%
<u>Other Restriction</u>		
Total Floating Rate Exposure	50%	0.0%

III. Violations To Policy

There were no policy violations this quarter.

Investment Transactions

Internally Managed Short Duration Fund Report:

I. Interest Rate Risk

The portfolio duration of the Short Duration Fund was 0.08.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings*</u>
State Street Bank STIF	100%	.17%
AAA Structured Securities	100	51.52
Non AAA Structured Securities	50	7.61
Bridge Loans	100	.45
Money Market Securities (\geq A1/P1)	100	8.20
Money Market Securities ($<$ A1/P1)	25	1.99
Total Corporate Securities	50	23.21
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	60.34%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	32.82
<u>Other Restriction</u>		
Total Fixed Rate Exposure ($>$ 35 day maturity)	35%	0.52%

*Based on \$1 Billion portfolio, thus will not add to 100%

III. Violations To Policy

The following policy violation occurred this quarter:

Market Value appreciation caused the total market value of securities in the Corporate US Finance Sector to exceed the compliance threshold by \$327,000. Staff sold off \$5 million of securities in this sector the next day to bring the fund back in compliance.

Investment Transactions

Internally Managed High Quality LIBOR Fund Report:

I. Interest Rate Risk

The portfolio duration of the High Quality LIBOR Fund was 0.09.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	0.76%
AAA Floating Rate Structured Securities	100	96.64
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities (\geq A1/P1)	100	1.42
Money Market Securities ($<$ A1/P1)	25	1.18
High Quality Libor Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	98.82%
Total Split Rated and A2/P2 money market securities ($>$ 1 day maturity)	25	1.18
High Quality Libor Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ($>$ 35 day maturity)	20%	0.00%

III. Violations To Policy

There were no policy violations this quarter.

Investment Transactions

Member Home Loan Program Report:

- **Program to Date**, CalPERS has purchased a total of 126,352 loans totaling \$19.841 billion dollars (figure does not include Personal Loans).
- **Purchases for the Quarter Ending 06/30/06**, were \$31.344 million dollars (figure includes Personal Loans).
- **Portfolio Holdings as of 06/30/06** were \$685.2M
- **Mortgage Loan Delinquencies (MBA vs. CalPERS) as of 03/31/06:**
 - Fannie Mae MBS Delinquencies decreased by 22 bps;
 - MBA delinquency statistics decreased by 24 bps ;
- **Whole Mortgage Loan Delinquencies as of 06/30/06** increased by 22 bps.
- **Percentage of Personal Whole Loan Delinquency as of 06/30/06** increased by .46%.
- **Number of Lending Institutions participating in the MHLP** is 41 with a total of 604 branch locations statewide.
- **CMI CalPERS Pipeline & Purchase Information for YTD ending 06/30/06:**

Committed not Purchased:	313	\$ 80,437,819	
Total Commitments Issued (YTD):	1017	\$ 261,160,294	Avg/month: \$43,526,715.67
Total Purchased (YTD):	721	\$ 177,867,068	Avg/month: \$29,644,511.33
Purchase/Refinance Percentage (%):	27%/73%		

Points of Interest - 2nd Quarter, 2006

CalPERS MHLP expanded its loan menu by introducing the InterestFirst Program. InterestFirst Offers added flexibility with both Fixed Rate and Adjustable Rate mortgage loans and can make home purchases possible that were previously unaffordable.

When CalPERS employees use an InterestFirst mortgage loan they make interest-only payments for the first 7- or 10- years of the loan. After the interest-only period, the loan takes on principal payments with varying interest calculations depending on the loan type. These mortgage loan options feature low interest-only payments that enable borrowers to obtain larger loan amounts, increase their purchasing power, and expand the selection of homes they can purchase.

The InterestFirst Program may be appropriate for CalPERS Members just beginning their careers. Low initial payments can expedite the home buying process, while long interest-only periods allow them time to establish themselves in their careers and prepare for higher payments later in the loan term.

Additionally, the program may also be a good fit for those employees looking to stay in a home for only a short period of time (average time before purchase or refinance varies by region, but an average of 5-7 years is not uncommon). During the early years of any mortgage, principal payments are nominal and equity is primarily built through property appreciation. Taking this into account, the InterestFirst Program allows Members to take advantage of the short-term interest rates and low monthly payments associated with interest-only mortgage loans, while at the same time benefiting from any equity built through property appreciation.

Investment Transactions

Member Home Loan Program Report (cont.)

Marketing/Lead Tracking Report (Top 5 categories)

Fair/Conference	896 leads	= 25.956% (of total leads)
Co-Worker Referral	710 leads	= 20.568%
Paycheck Stuffer	489 leads	= 14.166%
Agency Publication	351 leads	= 10.168%
CalPERS Website	341 leads	= 9.878%

Total leads generated in 2nd Quarter, 2006 = 3,452

CalPERS Publications:

This quarter, we engaged an advertising agency to produce Program advertisements, sales, and agency materials. This will create a consistent, professional look across all the MHLP communications. We produced eye-catching banners to be used at workshop presentations and conferences, advertisements for CSEA, an article for Employer News, and an ad for the PERSpective. We also have revised flyers for agency liaisons and account executives, and developed new agency payroll stuffers. A new MHLP brochure (versions in English and Spanish) is currently in production.

The State Controller's office has set aside August 1st and October 1st for remaining distributions of MHLP payroll stuffers for active state employees. This payroll stuffer distribution (3x/year) was responsible for 2,097 leads (13.51% of total leads generated) for MHLP in 2005. Lead goal (per each distribution) = 300; Lead referral goal = 75 (25%); Loan goal = 6 (8% conversion). The March 1st payroll stuffer distribution resulted in 814 total leads (1st-2nd Q), resulting in 14 loans (at about the predicted conversion ratio).

The greatest single source of leads resulting in closed loans continues to be referrals from family or co-workers of Members, with 31 total loans closed in the 1st and 2nd quarter.

CalPERS Market Strategy:

This quarter, we introduced the 25th anniversary of the Member Home Loan Program through articles and advertisements to the Membership. We also reproduced the specially designed 25th Anniversary logo on various print materials, presentation banners, collateral, and even on a cake at our booth on CalPERS Family Day on May 20th! We also launched the availability of the InterestFirst Program through Member articles and inclusion on advertising materials.

CalPERS Events:

Mike Thompson (Northern CA Agency Liaison) and Melissa Mark (Southern CA Agency Liaison) focused on planning and attending the May and June 2006 Retirement Planning Events. This year Mike and Melissa invited Preferred Loan Officers to join them at the events. We felt having the Loan Officers at the booth was very beneficial. The Loan Officers were able to answer more detailed questions and in some cases give the Member an idea of what purchase price they would qualify for, etc. Mike was able to do a Home Loan Workshop at most of the events to talk to the Members about the CalPERS MHLP 25th Anniversary and our new mortgage loan products.

Although, we fell short of our total lead generation goal by 48%, we exceeded our hot lead goal (referred to a Preferred Loan Officer) by 9%.

Investment Transactions

Public Records Act Requests

- In the quarter ending June 30, 2006, CalPERS received 37 (thirty-seven) public record requests.
- Detailed Reporting is contained in the supplemental reporting document.

Real Estate Report:

- **Total Portfolio Performance** – The one-year (as of March 31, 2006) total return for the Total Real Estate Portfolio was 42.5 percent before fees and 35.4 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 11.1 percent as of March 31, 2006, with the income component generating a 7.3 percent return and the appreciation component generating a 3.8 percent return.
- **Core Portfolio Performance** – The one-year (as of March 31, 2006) total return for the Core Portfolio was 38.9 percent before fees and 34.3 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.8 percent as of March 31, 2006, with the income component generating a 7.9 percent return and the appreciation component generating a 2.9 percent return. The total before fee returns for the Apartment sector, which reflect the March 31, 2006 valuations, were 29.4 percent for the current quarter and 55.0 percent for the one-year as compared to the NCREIF Apartment sector which reported a 3.5 percent current quarter return and a 21.0 percent one-year return.
- **Non-Core Portfolio Performance** – The one-year (as of March 31, 2006) total return for the Non-Core Portfolio was 44.5 percent before fees and 35.1 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 11.2 percent as of March 31, 2006, with the income component generating a 4.9 percent return and the appreciation component generating a 6.3 percent return. The Housing Program and the California Urban Real Estate (CURE) Program are the two largest programs in the Non-Core Portfolio. The Housing Program generated a 5.8 percent before fee return for the current quarter and a 32.4 percent before fee return for the one-year period. Additionally, the CURE program generated a 2.4 percent before fee return for the current quarter and a 35.6 percent before fee return for the one-year period.
- **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods, as shown in the following chart on page I - 4, titled *Total Real Estate Portfolio, Comparison to NCREIF Index, Nominal Returns, Before Fees*. In addition, the Core Portfolio and Non-Core Portfolio outperformed the Index for all periods. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core, Non-Core, and Total Portfolios have all exceeded the 5 percent real rate of return benchmark for all periods, as shown in the following chart on page I - 5 titled *Total Real Estate Portfolio, Comparison to Real Rate of Return, Benchmark, After Fees*.

Investment Transactions

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

Portfolio Summary and Transactions Report:

- Purchases – Internal Management (Page 28)
- Sales – Internal Management (Page 29)
- Currency Hedge Portfolio Summary (Page 30)
- Currency Hedge Portfolio Transactions (Page 30)

Investment Transaction Information: (full reporting is available in the supplemental reporting document)

- Fixed Income Transactions
 - Internal Domestic
 - External International and High Yield
 - Special Mortgage Investment Program Transactions
 - High Yield Performance
- Equity Summary & Transactions
 - Internal Domestic
 - Corporate Actions
 - External Domestic
 - External International
- Internal Programs
 - Closed Real Estate Transactions Summary
 - Dispositions Summaries
 - CalWest/RREEF – Bay View Industrial, CalPERS share \$1,192,691.00
 - Blackrock Realty – Regency at Skyport, CalPERS share \$711,493.00
 - Acquisitions Summaries
 - Buchanan Street – Montecito MOB Portfolio, CalPERS share \$33,984,000.00
 - Blackrock Realty – Lindley Apartments, CalPERS share \$14,398,706.00
 - CalSmart/RREEF – Alabama Industrial Park, CalPERS share \$9,501,032.00
 - Kennedy Associates – Silicon Valley Office (350 Java Road), CalPERS share \$10,387,200.00

Investment Transactions

Investment Transaction Information (continued): [\(full reporting is available in the supplemental reporting document\)](#)

- AIM Program Transactions
- Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Investments Completed under Delegation of Authority
 - Investment Summaries
 - Clarus Lifesciences I, LP, \$45 million commitment
 - VantagePoint Ventures Partners 2006, LP, \$25 million commitment
- Internally Managed Derivative Transactions Summary
 - Investment Summaries
 - Futures purchases, \$0.93 million notional
 - Futures sales, \$0.01 million notional
 - Interest Rate Swap Sale, \$10.00 million notional
- Risk Managed Absolute Return Strategies Program Transactions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - Chatham Asset Leverage Loan Offshore Fund, LTD. , \$50 million initial contribution
 - Ermitage Highbury Fund, LP, \$100 million initial contribution

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

May 31, 2006

PURCHASES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>ANNUALIZED YIELD</u>	<u>%OF LONG TERM PURCHASES</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	404.2	\$406.5	N/A	3.14%
<u>BONDS:</u>				
Utilities & Industrials	122.4	\$121.3	5.89%	0.94%
Sovereign	<u>121.8</u>	<u>116.9</u>	5.32%	<u>0.90%</u>
Total	244.2	\$238.2		1.84%
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	16.1	\$15.8	5.31%	0.12%
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	3,340.5	\$3,230.5	5.98%	24.94%
CMO	<u>110.4</u>	<u>68.1</u>	6.05%	<u>0.53%</u>
Total	3,450.9	\$3,298.6		25.46%
<u>EQUITIES:</u>				
Common Stock		\$4,021.3	N/A	31.04%
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$2,327.0	N/A	17.96%
Domestic Common Stock		1,681.0	N/A	12.98%
International Fixed Income		<u>967.1</u>	N/A	<u>7.47%</u>
Total		\$4,975.1		38.40%
TOTAL PURCHASES:		\$12,955.4		100%

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

May 31, 2006

SALES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	0.1	\$2.2	\$2.2	\$0.0
<u>BONDS:</u>				
Utilities & Industrials	20.0	\$16.1	\$21.8	\$5.7
Sovereign	<u>126.9</u>	<u>121.8</u>	<u>120.1</u>	<u>(1.6)</u>
Total	146.9	\$137.9	\$141.9	\$4.1
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	21.0	\$11.0	\$10.2	(\$0.8)
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	3,062.5	\$2,948.5	\$2,918.7	(29.8)
CMO	<u>371.2</u>	<u>358.0</u>	<u>358.0</u>	<u>0.0</u>
Total	3,433.7	\$3,306.4	\$3,276.7	(\$29.8)
<u>EQUITIES:</u>				
Common Stock		\$3,322.5	\$3,551.9	\$229.3
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$2,200.6	\$2,524.4	\$323.8
Domestic Common Stock		1,964.3	2,106.0	\$141.7
International Fixed Income		<u>1,112.4</u>	<u>1,112.7</u>	<u>0.3</u>
Total		\$5,277.2	\$5,743.0	\$465.8
TOTAL SALES:		\$12,057.2	\$12,725.9	\$668.6

Portfolio Summary and Transactions

CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

May 31, 2006

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$3,864.6	\$3,899.3
Total FX Sold	\$7,562.0	\$7,807.8

CURRENCY OPTIONS

Currency Puts	(\$115.4)	(\$115.4)
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

May 31, 2006

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$2,766.5
<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$1,058.9

Affiliate Funds Report – June 30, 2006

Staff has compiled the following investment transaction and portfolio summary reports prepared by the Custodian for the Affiliate Funds for the month ending June 30, 2006.

Affiliate Funds Allocation and Transaction Reports: [\(full reporting is available in the supplemental reporting document\)](#)

Legislators' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
AFFILIATE TIPS	\$156,141,412	55.069	\$149,568,005	52.827
LEG-INTERNATIONAL - SSGA	\$7,681,976	2.709	\$13,395,784	4.731
LEGISTRATORS RETIREMENT TOTAL FUND	\$119,713,797	42.222	\$120,164,934	42.442
TOTAL	<u>\$283,537,185</u>	100.000	<u>\$283,128,722</u>	100.000

Judges' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUD-INTERNAL SHORT TERM - CALPERS	\$10,088,896	100.000	\$10,088,896	100.000
TOTAL	<u>\$10,088,896</u>	100.000	<u>\$10,088,896</u>	100.000

Affiliate Funds Report – June 30, 2006

Judges II Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUDGES II - INTERNATIONAL - SSGA	\$26,715,841	14.227	\$43,710,004	20.825
JUDGES II TOTAL FUND	\$161,066,102	85.773	\$166,185,930	79.175
TOTAL	<u>\$187,781,944</u>	100.000	<u>\$209,895,934</u>	100.000

Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
CRF INTERNAL SHORT TERM - CALPERS	\$5,459,313	100.000	\$5,459,313	100.000
TOTAL	<u>\$5,459,313</u>	100.000	<u>\$5,459,313</u>	100.000

Volunteer Firefighters Length of Service Award Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
VFF INTERNAL SHORT TERM - CALPERS	\$2,863,666	100.000	\$3,034,634	100.000
TOTAL	<u>\$2,863,666</u>	100.000	<u>\$3,034,634</u>	100.000

Affiliate Funds Report – June 30, 2006

Supplemental Contribution Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SCP TOTAL FUND	\$16,047,917	86.892	\$16,729,816	80.358
SUPPLEMENTAL CONTRIBUTION - INTL EQUITY	\$2,420,885	13.108	\$4,089,257	19.642
TOTAL	<u>\$18,468,802</u>	100.000	<u>\$20,819,073</u>	100.000

Self Fund Health Care:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SELF FUND HEALTH - CALPERS	\$94,095,481	100.000	\$94,087,363	100.000
TOTAL	<u>\$94,095,481</u>	100.000	<u>\$94,087,363</u>	100.000